

Message Text

LIMITED OFFICIAL USE

PAGE 01 LISBON 03395 081751Z
ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 ABF-01 PA-01 /065 W
-----043999 081806Z /50
R 081546Z MAY 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 5632

LIMITED OFFICIAL USE LISBON 3395

DEPT PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: EFIN PO
SUBJECT: GOP IMPLEMENTATION OF IMF AGREEMENT

REF: LISBON 3360

1. PRESS HAS NOT PRINTED MAY 5 GOVERNMENT COMMUNIQUE ANNOUNCING
ESCUDO DEVALUATION, BUT DESCRIBED ITS MAIN POINTS AS FOLLOWS:
-- INITIAL ESCUDO DEVALUATION IS 6.34 PERCENT IN RELATION
TO U.S. DOLLAR AND 6.5 PERCENT AGAINST EXCHANGE BASKET OF KEY
CURRENCIES. FOLLOWING ARE KEY CLOSING BUY RATES FOR MAY 4 AND
5. PERCENTAGE DIFFERENCE CALCULATED ON ESCUDO MOVEMENTS.

| | BUY RATES | | |
|------------------|-----------|---------|------------|
| | MAY 4 | MAY 5 | PERCENTAGE |
| | | | DIFFERENCE |
| POUND | 77.067 | 82.129 | 6.57 |
| DOLLAR | 42.162 | 44.834 | 6.34 |
| GERMAN MARK(100) | 2033.74 | 2165.10 | 6.46 |
| PESETA(100) | 52.027 | 55.405 | 6.49 |
| SWISSFRANC(100) | 2147.12 | 2306.57 | 6.93 |
| FRENCHFRANC(100) | 915.79 | 974.07 | 6.36 |

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-- BANK OF PORTUGAL WILL CONTINUE TO INTERVENE IN
EXCHANGE MARKET TO MAINTAIN "CRAWLING PEG" DESIGNED TO
PRODUCE AVERAGE MONTHLY DEVALUATION NOT TO EXCEED 1.25
PERCENT. (FYI: MONTHLY AVERAGE ESCUDO DECLINE SINCE AUGUST
1977 HAD BEEN 1.0 PERCENT. PRESS HAD BEEN SPECULATING
THAT CRAWL RATE WOULD ACCELERATE TO 1.5 PERCENT PER MONTH
ONCE IMF AGREEMENT WAS ANNOUNCED.)

-- BANK OF PORTUGAL WILL STOP SELLING FOREIGN EXCHANGE
FUTURES CONTRACTS.

2. COMMENT: ESCUDO/DOLLAR BUY RATE MOVED AGAIN ON MON-
DAY, MAY 8, CLOSING AT 45.038. GOP IS MOVING RAPIDLY TO
IMPLEMENT TERMS OF IMF AGREEMENT. BANK OF PORTUGAL WILL
ISSUE PRESS RELEASE AFTERNOON OF MAY 8 ANNOUNCING NEW
HIGHER INTEREST RATE STRUCTURE. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
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Concepts: AGREEMENTS, TREATY ENTRY INTO FORCE, DEVALUATIONS, CURRENCY CONTROLS
Control Number: n/a
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Draft Date: 08 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Withdrawn Fields: n/a
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TAGS: EFIN, PO, US, IMF
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